

6. Cost Estimates. It is estimated that the annuities of 30 retirees and 3 survivors would be affected by the proposed initial annuity increase of 6.1 per cent. Based on an average retiree annuity of \$6000, the annual increase per annuitant would be \$366, making a total of \$10,980 for the entire group of retirees. Based on an average survivor annuity of \$3300, the annual increase per annuitant would be \$201, making a total of \$603 for the entire group. Thus the total additional cost of the proposed initial increase of 6.1 per cent would be \$11,583 per year.

However, the first-year cost would be somewhat less since the increase would apply only to the seven-month period from December 1965 through June 1966. On this basis, the first-year cost would be 7/12 of the annual cost, or \$6755.

In the absence of actuarial experience under the CIA retirement system on which to base a long range estimate, the current estimate of annual cost has been projected on a full year basis over fiscal years 1967 through 1970 for a total of \$46,332. This figure added to the FY 1965 estimate of \$6755 produces an estimated additional cost of \$53087 for the first five fiscal years during which the proposed initial increase would apply.

There appears to be no feasible basis for estimating the additional costs which might result from further annuity adjustments based on the modified formula for granting future cost-of-living increases.

Consumer Price Index Point Rise and Estimated  
Percentage of Annuity Adjustments

Average Annual Consumer Price Index, 1962 - 105.4

Average Annual Consumer Price Index, 1964 - 108.1

Monthly Consumer Price Index, June, 1965 - 110.1

Six-month average of Consumer Price Index  
for calendar year, 1965 - 109.3

Jan.	- 108.9
Feb.	- 108.9
Mar.	- 109.0
Apr.	- 109.3
May	- 109.6
June	- 110.1
	<u>655.8</u>

655.8 divided by 6 = 109.3

	110.2	July
Point rise, 1962 to June, 1965	110.1	
	- 105.4	
	<u>4.7</u>	4.8

Point rise, 1964 to 1965	109.3
	- 108.1
	<u>1.2</u>

Per cent of rise, 1962 to June, 1965 - 4.5 4.6

4.7 divided by 105.4 = 4.5 4.6

Per cent of rise, 1964 to 1965 - 1.1

1.2 divided by 108.1 = 1.1

<b>TRANSMITTAL SLIP</b>		DATE <b>3 SEP 1965</b>
TO: CIA Retirement Staff		
ROOM NO. <b>6E1319</b>	BUILDING <b>Headquarters</b>	
REMARKS:  Attached is the cost estimate paragraph for Statement of Justification and Explanation of our CIA Retirement Act amendment.		
FROM: Exec. Asst. to D/Pers		
ROOM NO. <b>5E56</b>	BUILDING <b>Hqs.</b>	EXTENSION <b>6825</b>
<b>FORM NO. 241</b> 1 FEB 55 REPLACES FORM 36-8 WHICH MAY BE USED. ☆ GPO : 1957-O-439445 (47)		